

Message Text

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TO USMISSION IAEA VIENNA PRIORITY

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E.O. 11652 N/A

TAGS: AFIN, IAEA

SUBJECT: IAEA CY 1975 BUDGET

REF: IAEA VIENNA 1415

1. DEPT HAS GIVEN CAREFUL STUDY AND CONSIDERATION TO AGENCY PROPOSAL FOR DOLS 1 MILLION CONTINGENT FINANCING APPROPRIATION FOR CY 1975 FOR PURPOSE OF COMPENSATING FOR ADVERSE CHANGES IN CURRENCY EXCHANGE RATES.

2. FOR REASONS OF GENERAL POLICY AND BECAUSE OF INEVITABLE REPERCUSSIONS IN UN SYSTEM AS WHOLE, WE DO NOT WISH TO ACCEDE TO AGENCY PROPOSAL. GENERAL US POLICY IN THE UN SYSTEM HAS BEEN TO SEEK TO REQUIRE AGENCIES TO ABSORB EFFECTS OF CURRENCY FLUCTUATIONS IN WHOLE OR IN PART BY ECONOMY MEASURES AND CURTAILING LOW PRIORITY PROGRAMS. AS PROVEN NEEDS HAVE ARISEN, WE HAVE SUPPORTED SUPPLEMENTAL

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APPROPRIATIONS. FURTHER CONSIDERATION IS THAT UN WORKING

GROUP ON CURRENCY INSTABILITY IS CURRENTLY HOLDING SERIES OF MEETINGS IN NEW YORK TO CONSIDER ALTERNATIVE SOLUTIONS TO DIFFICULTIES RESULTING FROM CURRENCY INSTABILITY AND INFLATION ON BUDGETS OF ORGANIZATIONS IN UN SYSTEM; WORKING GROUP WILL REPORT TO UNGA THIS FALL AND WE WISH TO AVOID ANY PREMATURE ACTION BY INDIVIDUAL AGENCIES WHICH MIGHT PREJUDGE OUTCOME OF STUDY. ALSO DEPT EXPERTS CONSIDER THAT SITUATION IN CY 1975 IS NOT LIKELY TO BE CHARACTERIZED BY WEAKENING OF US DOLLAR.

3. AT SAME TIME, HOWEVER, WE RECOGNIZE THAT AGENCY UNLIKELY BE ABLE ABSORB RESULTS ADVERSE CURRENCY FLUCTUATIONS AND STILL MAINTAIN DESIRED LEVEL OF PROGRAM ACTIVITIES. FOR VARIETY OF REASONS US CONSIDERS IT IMPERATIVE THAT PRESENT AND FUTURE IAEA PROGRAM LEVELS NOT BE JEOPARDIZED. OUR OBJECTIVE WOULD BE TO FIND SOME MUTUALLY AGREEABLE PROCEDURE TO MAINTAIN INTEGRITY OF AGENCY PROGRAM LEVELS WITHOUT IMMOBILIZING MEMBERS' FUNDS FOR UNDULY LONG PERIODS OF TIME.

4. IN CONTINUING DISCUSSIONS ON THIS QUESTION, MISSION SHOULD ASSURE AGENCY THAT IF AS CY 1975 DRAWS CLOSER, AND CURRENCY EXCHANGE RATE SITUATION IS SUCH THAT LEVEL OF 1975 PROGRAM ACTIVITIES WOULD APPEAR TO BE ADVERSELY AFFECTED, US WOULD BE PREPARED TO SUPPORT APPROPRIATE CORRECTIVE ACTION. MISSION SHOULD ALSO EXPLORE OTHER ALTERNATIVES SUCH AS BORROWING AUTHORITY AND USE OF WORKING CAPITAL FUND.

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